



# Health Services

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*To ensure access to high-quality,  
patient-centered, cost-effective  
healthcare to Los Angeles County  
residents through direct services at  
DHS facilities and through  
collaboration with community and  
university partners*



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June 4, 2013

The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, CA 90012

Dear Supervisors:

## APPROVAL TO ACCEPT A GRANT AWARD FROM THE CALIFORNIA HEALTHCARE FOUNDATION AND AWARD A SOLE SOURCE CONSULTING AGREEMENT (SUPERVISORIAL DISTRICT 2) (3 VOTES)

### SUBJECT

Request delegated authority to accept a grant award from California Healthcare Foundation to fully implement the Embedding Lean in Public Hospitals Initiative at Harbor-UCLA Medical Center and delegate authority to execute a sole source consulting Agreement with J Michael Rona Consulting Group LLC to provide consultant services in support of the Initiative implementation.

### IT IS RECOMMENDED THAT THE BOARD:

1. Delegate authority to the Director of Health Services (Director) or his designee, to accept and sign a Grant Agreement in an amount of \$100,000 from the California Healthcare Foundation (CHCF), effective upon Board approval for a one year period, to implement the Embedding Lean in Public Hospitals (Lean) Initiative at Harbor-UCLA Medical Center (H-UCLA MC), subject to review and approval by County Counsel.
2. Delegate authority to the Director, or his designee to execute a sole source consulting Agreement with the CHCF's designated Lean consultant, J Michael Rona Consulting LLC, trade name Rona Consulting Group (RCG) for one year, effective upon execution with a provision for a six month extension, with a maximum obligation not to exceed \$225,000 to provide consulting services in support of fully implementing the Lean Initiative subject to review and approval by County Counsel.

# ADOPTED

BOARD OF SUPERVISORS  
COUNTY OF LOS ANGELES

37 June 4, 2013

*Sachi A. Hamai*  
SACHI A. HAMAI  
EXECUTIVE OFFICER

3. Delegate authority to the Director, or his designee, to: (i) accept any future amendments to the Grant Award Agreement with CHCF; and (ii) execute future Amendments to the Agreement with RCG to exercise the six month term extension with no increase in the maximum obligation; adjust project goals and objectives; incorporate provisions consistent with County Code, Board policy, and Chief Executive Office (CEO) contracting requirements; and make non-material programmatic and/or administrative adjustments, subject to review and approval by County Counsel.

### **PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION**

With the passage of the Affordable Care Act (ACA) and California's "Bridge to Reform", public hospital systems are under pressure to increase capacity, enhance patient experience, improve safety and care, and reduce costs. To meet these challenges, the Department of Health Services (DHS or Department) is utilizing various strategies to strengthen and transform the Department's health care delivery system to prepare for the additional number of individuals who will have access to health care once reform is fully implemented. As part of these efforts, DHS recently applied for, and received, a matching grant from the CHCF to fully implement the Lean Initiative at H-UCLA MC. CHCF matches \$1 for every \$2 committed by the facility. Approval of the first recommendation will enable the Director to accept and sign the Grant Agreement in order to accept the \$100,000 grant from CHCF.

The CHCF, in collaboration with the California Health Care Safety Net Institute, released a Request for Applications (RFA) in 2011 and subsequently awarded Year 1 Matching Grants to several public hospitals for the Lean Initiative. In 2013, CHCF extended the RFA opportunity to four additional hospitals, including H-UCLA MC, to apply for a year of matching funds to assist in implementing and sustaining learned Lean strategies. Pursuant to the RFA requirements, RCG is the Lean Initiative's consultant that will provide Matching Grant recipients with expert and intensive consulting and coaching services to lead system-wide transformation of the public hospital's health care delivery system.

### **Lean Initiative**

"Lean" is a proven method for process improvement that was developed and refined by Toyota over the last 60 years. Lean is about doing things neater, better, and quicker with a view of creating value with little or no waste. Healthcare organizations have begun to employ Lean, with positive results in improved safety, patient satisfaction, employee satisfaction and cost. Key to successful implementation of Lean are learned strategies to move from old business practices to "lean thinking" which is to eliminate waste, improve quality, reduce cost and eliminate variation, to develop and install (embed) an inward looking measurement system. The overall goal of the CHCF

Initiative is to move Lean activities from unique performance improvement projects to "the way we provide care".

#### Recommended RCG Agreement

RCG has been selected by CHCF as the Lean Initiative's consultant to provide Grant recipients with intensive, expert-led training and support to prepare an executive and cross-functional management team to lead system-wide transformation using Lean. RCG is an experienced Lean consultancy serving the healthcare industry. The firm's co-founders and team are considered experts and leaders in organizational transformation in healthcare patterned on the Toyota Production System.

Approval of the second recommendations will delegate authority to Director, or his designee to execute a sole source Agreement with RCG to provide consultant services associated with continued implementation of the Lean Initiative at H-UCLA MC.

Approval of the third recommendation would provide flexibility to DHS to accept amendments to CHCF Grant Award and to execute future amendments to the RCG Agreement to extend the Agreement and make any necessary contractual/programmatic and/or administrative adjustments.

#### Lean Initiative at H-UCLA MC

Over the coming months, H-UCLA MC's Lean efforts will primarily focus on three areas of operation: continued improvements in existing Inpatient Value Stream (IVS), and initiation of two new value streams, the Operating Room (OR) and Emergency Department (ED). IVS will mainly focus on the validation of gains, continuous improvement and sustainability, and expanding standardized work flow to other units; OR Value Stream will aim to address capacity and technology capabilities and efficiencies and reliable processes from surgical decision to patient's admission and/or discharge; ED Value Stream will aim to address patient-centered care and reducing the overall cycle time by addressing the patient wait time and boarding times. Additionally, H-UCLA MC will expand on its executive meetings meant to drive and sustain performance improvement efforts, continue executive Lean education, establish a formal Kaizen Promotion Office (KPO) with two permanent staff using existing resources, develop and implement standardized work for executive leadership, integrate Lean principles into strategic planning and daily operations of the organization, coordinate activities for each of the value streams, work with Lean consultants, executive champions and process owners, and track, measure, and sustain improvement measures. As recipient of the CHCF grant, H-UCLA MC will be able to leverage the \$100,000 with existing DHS funds to retain the consulting services of RCG to assist in making key operational changes in the system of care.

DHS plans to implement the Online Realtime Centralized Health Information Database (ORCHID) which is the new system wide electronic health record. H-UCLA MC will be the first DHS facility to "go live" on ORCHID in summer of 2014. In anticipation of ORCHID implementation, DHS is engaged in clinical and operational process standardization. It is expected that the Lean Initiative will help to support this effort, resulting in improved cycle times, care coordination, and a better overall patient experience.

#### **Implementation of Strategic Plan Goals**

The recommended action supports Goal 1, Operational Effectiveness, of the County's Strategic Plan.

#### **FISCAL IMPACT/FINANCING**

The total Fiscal Year (FY) 2013-14 project cost is \$565,660, which includes a required match of \$200,000 from DHS, and is offset by \$100,000 in grant funding for a net cost to DHS of \$465,660. Of the project cost, \$332,660 is allocated for Salary and Employee Benefits to cover 2 FTE's for the KPO. Of the remaining \$233,000, \$225,000 is allocated to the RCG agreement and \$8,000 is for training and other expenses.

Funding is included in the Department's FY 2013-14 Recommended Budget and will be requested in future years if necessary.

#### **FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

The Grant Award will be reviewed and approved by County Counsel. The Agreement with RCG will include all standard County and DHS terms and conditions and will be reviewed and approved by County Counsel prior to its execution. Attachment A is the sole source checklist in compliance with Board Policy 5.100 for the sole source Agreement with RCG. The consulting services provided by RCG include assistance with setting up the KPO; developing and coordinating various types of training curriculums for implementing Lean; staff coaching sessions; guidance on tracking, measuring and sustaining improvement targets; and development of appropriate communications to educate, inform, remind, celebrate and inspire as H-UCLA MC moves forward with full implementation of Lean.

The RCG Agreement is not subject to Proposition A as services are on a part-time and intermittent basis and cannot currently be provided by County staff, and are not subject to the Living Wage Program (Los Angeles County Code Chapter 2.201).

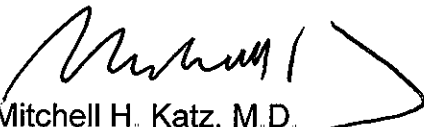
**CONTRACTING PROCESS**

The RFA issued by CHCF specified that RCG was selected as the Lean consultant for the Initiative and by submitting an application, public hospitals agreed that, if selected, they would participate in all Lean Initiative activities, including intensive training and coaching by RCG. Grant submissions were evaluated based on the applicant's commitment to system-wide transformation using Lean methodology; organizational capacity to implement Lean across multiple systems and processes; readiness and willingness to continue to learn and widely apply Lean methodology and sustain the methodology after the grant funding ends. As a result of this process, it was not feasible for DHS to conduct a competitive solicitation for the consulting services.

**IMPACT ON CURRENT SERVICES (OR PROJECTS)**

Approval of the recommendations will enable H-UCLA MC to lead a system-wide transformation using Lean to eliminate waste and improve operational efficiency, and increase the number of hospital staff who are trained to carry out Lean performance improvement techniques. This will strengthen and transform DHS' health care delivery system to prepare for the additional numbers of people who will have access to health care once ACA is fully implemented.

Respectfully submitted,

  
Mitchell H. Katz, M.D.  
Director

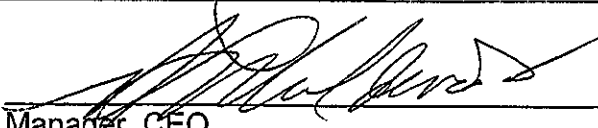
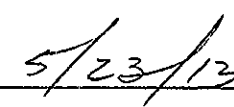
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Enclosure

c: Chief Executive Office  
County Counsel  
Executive Office, Board of Supervisors

# SOLE SOURCE CHECKLIST

## Rona Consulting Group LLC

Check (√)	<b>JUSTIFICATION FOR SOLE SOURCE CONTRACTS</b>
	<p>Identify applicable justification and provide documentation for each checked item.</p> <p><u>Other reason:</u></p> <p>To meet the challenges presented by the passage of the Affordable Care Act (ACA), the Department of Health Services (DHS) is utilizing various strategies, including "Lean" strategies, to strengthen and transform the Department's health care delivery system to increase capacity, enhance patient experience, improve safety and care, and reduce costs to prepare for the additional number of individuals who will have access to health care once reform is fully implemented. As part of these efforts, DHS recently applied for, and received, a matching grant from the California Healthcare Foundation (CHCF) to fully implement the Embedding Lean in Public Hospitals Initiative (Lean Initiative) at Harbor-UCLA Medical Center (H-UCLA MC.) CHCF matches \$1 for every \$2 committed by the facility.</p> <p>√ <u>Background:</u> In 2013, CHCF extended the RFA opportunity to four additional hospitals, including H-UCLA MC, to apply for a year of matching funds to assist in implementing and sustaining learned Lean strategies. Pursuant to the Request For Application requirements, the Rona Consulting Group (RCG) has been selected by CHCF as the Lean Initiative's consultant to provide Grant recipients with intensive, expert-led training and support to prepare an executive and cross-functional management team to lead system-wide transformation using Lean. In response to the RFA's requirement, DHS is recommending the Sole Source Agreement with RCG as grant recipients cannot utilize any other consultant agency for this project.</p> <p>Approval of the Contract with RCG, will enable H-UCLA MC to lead a system-wide transformation using Lean to eliminate waste and improve operational efficiency, and increase the number of hospital staff who are trained to carry out Lean performance improvement techniques. This will strengthen and transform DHS' health care delivery system to prepare for the additional number of people who will have access to health care once ACA is fully implemented.</p>
 Manager, CEO	<div style="display: flex; justify-content: space-between;"> <div>             Date         </div> <div>5/23/13</div> </div>